

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 /018 W
-----181149 093254 /21

R 180807Z FEB 77
FM AMEMBASSY SEOUL
TO USDOC WASHDC
INFO SECSTATE WASHDC 2217

UNCLAS SECTION 1 OF 3 SEOUL 1440

E.O. 11652: N/A
TAGS: BEXP, KS
SUBJECT: ELECTRONIC MARKET RESEARCH FOR KOREA

REF: A-4989, KELLY/BINDENAGEL PHONE CONVERSATION FEB. 18, 1977

SUMMARY: PRELIMINARY DATA BASED ON ELECTRONIC MARKET RESEARCH
UNDERWAY IN SEOUL SUGGESTS POTENTIAL FOR SELECTED PRODUCTION
EQUIPMENT, TEST INSTRUMENTATION AND COMPONENTS. END SUMMARY.

1. IN VIEW OF USDOC URGENT REQUEST PRELIMINARY MARKET RESEARCH
DATA HASTILY ASSEMBLED SHOWS THE TOTAL MARKET SALES FOR THE THREE
COMPONENT CATEGORIES TOTALLING \$442.5 MILLION IN 1975 WITH IMPORTS
ACCOUNTING FOR 63.8 PERCENT OF THE TOTAL. MOST IMPORTED COMPONENTS
ARE USED IN ASSEMBLY OF ELECTRONIC PRODUCTS FOR EXPORT.
1975 STATISTICS INDICATE THAT THE FOLLOWING COMPONENTS ARE
PRODUCED IN KOREA.

THE VOLUME OF COMPONENT PRODUCTION IN KOREA

	VOLUME OF PRODUCTION (\$1,000)	SALES (\$1,000)
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A. ELECTRON TUBES

1. RECEIVING TUBES	5,451	2,540
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4. B/W TV BRAUN TUBE	1,377	11,328
4. ELECTRON GUN	15	49

B. PASSIVE COMPONENTS

1. AIR VARIABLE CAPACITOR	1,909	511
1. PLASTIC VARIABLE CAPACITOR	25,551	5,225

1. MICA CAPACITOR	332,000	6,842
1. MAGNETIC CAPACITOR	436,000	2,808
1. ALUMINUM ELECTROLYTIC CAPACITOR	567,000	13,856
1. OTHER FIXED CAPACITOR	11,000	278
2. CONNECTOR	1,061	29
2. PLUGS	74,000	1,728
4. COIL	192,000	10,282
4. SMALL TRANSFORMER FOR COMMUNICATION	10,000	1,497
4. INTERMEDIATE FREQUENCY TRANSFORMER	254,000	11,540
4. DEFLECTION COIL FOR CRT	726	1,320
4. OTHER COILS AND TRANSFORMERS	34,374	3,297
4. FLYBACK TRANSFORMER	605	1,023
4. SPEAKER	33,000	8,710
4. MAGNETIC RECORDING HEAD	5,414	2,133
4. FERRITE CORE	44,000	586
4. MEMORY CORE	65	15,286
4. HEADPHONE	451	1,275
4. MICROPHONE	2,436	1,064
4. CASSETTE TAPE	25,736	5,938
4. FERRITE MAGNET	110	160
6. PRINTED CIRCUIT BOARD	-	3,302
7. FLUORESCENT DIGITAL DISPLAY LIGHT EMITTING DIODE	17,000	27,261
8. RELAY	579	649
9. THERMISTER	4,128	26

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9. VARIABLE RESISTOR	128,000	6,812
9. FIXED RESISTER	1,875,000	11,133
10. SWITCH	6,365	1,506
10. KEYBOARD SWITCH	-	1,860
13. SMALL MOTOR	1,185	775

OTHER

EARPHONE	10,000	518
OTHER AUDIO	1,047	1,873
TV TUNER	2,675	13,641
FM TUNER	3	14
RADIO ANTENNA	4,101	1,165
CRYSTAL RESONATOR	16,000	4,347
DRY BATTERY	119	13,727

C. SEMICONDUCTORS

1. DIODE	23,852	500
2. TRANSISTOR	1,248,000	81,026
2. HEADER	17,780	175

4. RECTIFIER	2,140	144
7. OTHER SEMICONDUCTORS	916	329
OTHER		
HYBRID I.C.	9,206	16,109
I.C.	329,000	112,423

SOURCE: KOREA FINE INSTRUMENTS CENTER

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2. UNDER THE 4TH FIVE YEAR ECONOMIC DEVELOPMENT PLAN, ROK GOVERNMENT PLANNERS ESTIMATE THAT THE ELECTRONICS INDUSTRY WILL REQUIRE INVESTMENT OF ABOUT \$600 MILLION BETWEEN 1977 AND 1981. THIS WILL RAISE ELECTRONIC PRODUCTION TO THE TARGETED LEVEL OF \$4.8 BILLION. THAT ESTIMATE INCLUDES ROUGHLY \$300 MILLION FOR PRODUCTION AND TESTING EQUIPMENT, MOST OF WHICH WILL HAVE TO BE IMPORTED.

3. THE 1981 ROK EXPORT TARGET FOR ELECTRONICS IS \$2.5 BILLION (1.7 BILLION AT 1975 CONSTANT PRICES). SEMICONDUCTOR DEVICES ARE TO BE COMPLETELY LOCALIZED DURING THE PERIOD. THE PLAN ALSO STIPULATES THAT EMPHASIS WILL BE ON THE PRODUCTION OF HIGH-PRECISION ELECTRONIC APPARATUS, CONVERTING THE PRESENT LABOR-INTENSIVE PRODUCTION SYSTEM INTO TECHNOLOGY-INTENSIVE INDUSTRY. NINE ITEMS WHICH WILL BE DEVELOPED BY THE GOVERNMENT'S INITIATIVE, INCLUDE SILICON WAFERS, GALLIUM ARSENIDE WAFERS, MINI/MICRO COMPUTERS, MICROPROCESSORS, COMPUTER PERIPHERALS, CARRIER DEVICES, ELECTRONIC SWITCHING SYSTEMS, COMPUTER TERMINALS AND SOFTWARE. A TOTAL OF 151 ELECTRONIC MANUFACTURING PLANTS WILL BE ERRECTED. IN THE GUMI INDUSTRIAL ESTATE 26 PLANTS WILL BE CONSTRUCTED WITH A TOTAL INVESTMENT OF \$206 MILLION, \$150 MILLION IN FACILITIES AND \$58.2 MILLION IN RESEARCH EXPENSE. THE 26 PLANTS WILL HAVE A COMBINED ANNUAL PRODUCTION CAPACITY OF \$454 MILLION, OF WHICH \$236 MILLION WILL BE EXPORTED. THE NINE ITEMS TO BE DEVELOPED UNDER THE GOVERNMENT'S LEADERSHIP ARE

THOSE WHERE DEVELOPMENT IS DIFFICULT BY PRIVATE FIRMS BECAUSE
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THE BURDEN OF EXPENDITURE IS TOO HEAVY, AND FOR WHICH LARGE-SCALE PLANT CONSTRUCTION IS NECESSARY TO ACHIEVE INTERNATIONAL COMPETITIVENESS. AS A FIRST STEP IN THIS DIRECTION, THE GOVERNMENT, ON AUGUST 6, 1976, SELECTED 57 ELECTRONIC PARTS AND PRODUCTS FOR DEVELOPMENT AS STRATEGIC EXPORT INDUSTRIAL ITEMS FOR WHICH \$269 MILLION IN FOREIGN EXCHANGE WILL BE INVESTED UNDER THE 4TH FIVE-YEAR DEVELOPMENT PLAN. THESE ITEMS ARE LISTED IN FOLLOWING TABLE:

STRATEGIC DEVELOPMENT ITEMS AND PLANS FOR PLANT CONSTRUCTION

PRODUCTION CAPACITY
IN TARGET YEAR
1981 (\$1,000)

1. SINGLE & POLY CRYSTAL SILICON	31,000
2. SILICON WAFER	48,750
3. FABRICATED WAFER	90,000
4. LEAD FRAME	12,000
5. GOLD/ALUMINIUM WIRE	15,370
6. GASES FOR ELECTRONIC PRODUCTS	
7. LSI	105,000
8. LIQUID CRYSTAL DISPLAY	6,800
9. ARTIFICIAL QUARTZ	2,120
10. CRYSTAL OSCILLATOR	19,200
11. SPECIAL BATTERIES	3,000
12. MULTILAYER PCB	3,500
13. MEMORY PLANE	17,000
14. KEY BOARD	8,000
15. MINI-COMPUTER	28,000
16. CRT DISPLAY	
17. SWITCH & CONNECTOR	32,176
18. SHADOW MASK	
19. CRT FOR COLOR TV	27,000
20. CRT-BULB FOR COLOR TV	4,270
21. TUNER FOR COLOR TV	7,200
22. D.Y. FOR COLOR TV	2,700

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23. F.B.T. FOR COLOR TV	1,890
24. TAPE RECORDER	36,000
25. MAGNETIC TAPE	17,329
26. MAGNETIC HEAD FOR TAPE RECORDER	5,952
27. DECK MECHANISM	21,000

28. CARTRIDGE	8,040
29. MINI/MICRO MOTOR	10,134
30. TONE-ARM	5,670
31. RECORD PLAYER	15,626

SOURCE: KOREA FINE INSTRUMENTS CENTER ELECTRONIC INDUSTRY DATA
BOOK 1976, SEPT. 1976, P. 18

4. ALSO OF PARTICULAR SIGNIFICANCE TO INTERESTED U.S. MANUFACTURERS IS THE ROK GOVERNMENT'S PLANS FOR THE LOCAL MANUFACTURE OF ELECTRONIC EXCHANGE SYSTEMS. A CORPORATION, TENTATIVELY NAMED THE KOREA ELECTRONIC TELECOMMUNICATIONS MACHINERY CORP., LTD. (KETMC) WILL BE ESTABLISHED WITH 100 PCT INVESTMENT BY THE KOREA DEVELOPMENT BANK IN FEBRUARY, 1977, TO TAKE EXCLUSIVE CHARGE OF ASSEMBLY AND PRODUCTION OF ELECTRONIC TELEPHONE SWITCHING SYSTEMS. TO BE CONSTRUCTED AT A TOTAL INVESTMENT OF \$30 MILLION OVER A TWO-YEAR PERIOD BEGINNING AUGUST 1977, THIS FIRM IS TO IMPORT NECESSARY TECHNOLOGY AND ASSEMBLE THE ELECTRONIC COMPONENTS PRODUCED BY LOCAL MANUFACTURERS. THE 13 ELECTRONIC COMPONENTS TO BE PRODUCED AND THE ESTIMATED ANNUAL DEMAND FOR 1980, 1982 AND 1984 ARE AS FOLLOWS:

ITEM	UNIT	ANNUAL DEMAND			
		1980	1982	1984	
SEMICONDUCTORS (BIPO-		1,000,000	2	5	8
LAR DIGITAL IC, MOS	PCS				
DIGITAL IC, BIPOLAR IC,					
MOST IC MEMORY, TRANSISTORS,					
RECTIFIERS, ETC.)					

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COMPUTERS (CENTRAL	1 SET	55	86	116
PROCESSING UNITS & CONTROL				
UNITS)				

COMPUTOR ACCESSORIES	1 MIL.PCS.	55	86	116
(CRT DISPLAYS, PRINTING				
EQUIPMENT, OPERATOR'S				
CONSOLES, ETC.)				

GLASS SEALED	1 MIL.PCS.	9	26	47
DEVICE (REEDS, MERCURY				
RELAYS, VACUUM ARRESTERS,				
ETC.)				

PCB BASES	1,000 M2	4	11	20
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PCBS	1,000 M2	4	11	20
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CONNECTORS	1,000 PCS	225	656	1,172
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CAPACITORS

CERAMIC CAPACITORS	1,000 PCS	45	132	234
FILM/MP CAPACITORS	"	300	800	1,560
ALUMINUM CAPACITORS	"	150	440	780

RESISTORS

CARBON COMPOSITOR RESI- STORS	1,000 PCS	450	1,320	2,340
WIRE WOUND RESISTORS	"	450	1,320	2,340

HYBRID ICS	1,000 PCS	8	22	39
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COIL RELAYS	"	300	880	1,560
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OTHER COILS	"	150	440	780
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TELEPHONE TERMINALS	1,000 PCS	280	200	580
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5. THE KOREAN COMPANIES TO PRODUCE THESE COMPONENTS WILL
BE SELECTED BY THE END OF 1977. THESE FIRMS ARE TO COMPLETE
CONSTRUCTION OF THEIR PLANTS BY 1978. THE SUCCESSFUL APPLICANT
WILL BE DETERMINED BY THE MINISTRY IN ACCORDANCE WITH THE FOLLOWING
CRITERIA:

- IN CASE OF CAPITAL TIE-UP WITH FOREIGNERS, KOREAN EQUITY
MUST BE OVER 50 PERCENT,

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- APPLICANTS MUST HAVE FINANCIAL RESOURCES FOR THE CONSTRUCTION OF PLANTS AND MUST BE CAPABLE OF ACQUIRING THE NECESSARY TECHNICAL KNOW-HOW,

- UNLESS OTHERWISE APPROVED, PLANTS MUST BE BUILT BY SEPTEMBER 30, 1978,

- ADVANCED TECHNICAL KNOWHOW WILL BE INDUCED FOR THE PRODUCTION OF COMPUTORS, SEMICONDUCTORS, REEDS, CONNECTORS AND PCBS IN ACCORDANCE WITH THE RULES TO BE DETERMINED LATER BY THE GOVERNMENT, AND

- SUCCESSFUL APPLICANTS WILL BE ELIGIBLE FOR GOVERNMENT SUPPORT IN TERMS OF FINANCE AND TECHNICAL GUIDANCE.

6. KOREA'S 1975 PRODUCTION OF COMPONENTS IS INDICATED IN THE FOLLOWING TABLE:

(UNIT \$1,000)

	LOCALLY DOMESTIC	PRODUCED EXPORT	TOTAL IMPORT	IMPORT FROM U.S.
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ELECTRON TUBES	11,929	1,988	11,134.7	346
PASSIVE COMPONENTS	98,383	129,324	84,934.7	10,056
SEMICONDUCTORS	49,865	160,842	186,276	120,977

7. THESE PRELIMINARY DATA WILL BE FINALIZED AND SUBMITTED PER REFAIR.

NOTE: GTE HAS FOUND PRELIMINARY PROCESSES FOR ESS PROJECT TOO LENGTHY AND CUMBERSOME AND HAS WITHDRAWN LEAVING ITT THE ONLY U.S. BIDDER.
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Message Attributes

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TAGS: BEXP, KS
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